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Part V: The Egyptian Economic Scene

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Egypt's economic problems, it has been rightly said, are simple to understand but baffling to solve.

Egypt is a poor country, compared to the rich, industrialized countries of the world, but in many respects it is far from being an underdeveloped country. It may not yet be what economists of underdeveloped areas like to refer to as an intermediate country, but it is well on the way toward that plateau. In relation to its limited resources it has achieved a noteworthy degree of competence in several fields.

Its agricultural economy produces yields per acre which are among the highest in the world. Its educational system provides this year for three million, 12 per cent of the total population of 25 million, and by 1964 there will have been achieved universal primary compulsory education, or something very close to it. Egypt turns out an annual quota of university graduates superior in proportion to population to that of Great Britain and the countries of Scandinavia. Its volatile, pushing but progressively-oriented elite is at home in the modern world and its social and cultural formation is equal to that of a corresponding group in many European nations. Its human resources are completed by a peasantry highly skilled in agricultural

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pursuits and traditional crafts, from which has been drawn a growing urban working class that is learning modern ways painfully but docilely, and most of a talented although numerically cumbersome bureaucracy.

A good deal of weight should be given to this human capital. For it is not only Egypt's primary asset, but it is one which is certain to be of value at that time in the future when in some way or other Egypt will have moved ahead to the point where it can better utilize a factor which sets it sharply apart from many other countries which now seem so much like it.

To counterbalance these advantages Egypt is entered in the development race carrying enormous handicaps, and the outlook for the future might be described by an impartial economic observer as depressingly full of formidable problems--perhaps more so than is the case with any other developing country in the mid-20th century. Where do these obstacles lie?

The permanent, overriding, implacable one is that of the strictly limited land resource possibilities. The specter that faces Egypt now and for the foreseeable future is that of finding room in which to allow the Egyptians to nourish themselves. All other considerations are secondary and all other problems need not be worried about until this is solved.

Statistics are eloquent. Egypt must feed its 25 millions on a total arable land surface of about 6 million acres. The ratio of 0.25 acres per capita is less than that for almost every other major country in the world; by comparison Europe disposes of 0.92 acres per person, the USSR 2.87 and the United States 3.92. With a population more than two-thirds agricultural (Table 1), living in rural areas and deriving their income from farming, Egypt must still import food to keep alive at a subsistence level.

The feel of land hunger is even more eloquent, and evident to any passing tourist. At Suez he sees the eastern desert encroaching, from the harbor of Alexandria he notices the sands of the western desert at the city doorstep, and from any tall building in Cairo he can detect with ease the limit of cultivation to either side. In a land virtually without rain, the green ribbon of cultivation follows the sinuous banks of the Nile, beyond which lies the void of the desert on all sides.

But the Egyptian problem is not one of the inefficient techniques to be found in much of the underdeveloped world. The Nile is made to work in strict harness; it was tamed in the earliest times, its waterworks were improved in the 19th century by Muhammad Ali and again later by the British. Within the green ribbon of fertility there is perennial irrigation and widespread use of fertilizers which give multiple crops and get out of the rich land as much as can possibly be extracted. But because of the relentless population increase, which has roughly doubled the number of Egyptians in the past 50 years, and the correspondingly lesser augmentation of the cultivated

area (by 16 per cent only), per capita income has been unable to make more than minimal advances; and the rate of increase of agricultural production continues to fall further behind as the momentum of the population explosion reaches its height (Table 2).

Until the Aswan High Dam project became a reality early this year it was generally conceded that possibilities of raising production on the present land surface were almost nonexistent. Beginning in 1953 an effort was made to extend the cultivable area to the west of the Nile delta in Liberation Province. A series of model village complexes were set up but the program has so far not produced substantial results. There have been plans, or more properly, hopes of raising production during this decade by about 25 per cent through technical steps: greater control of crop diseases and pests, improved irrigation and drainage techniques, and better fertilizer use. Further hope has been placed in the land reform of 1952, which has effected some redistribution of holdings, in the belief that individual ownership would provide incentives to intensifying techniques and ultimately increasing yields. But there is clearly a limit to what can be done in the immediate future by even the most remarkable technical advances, and it is often evident from the desperation with which Egyptian economists put forward their hopes as realities how serious the problem is.

One other means of increasing the value of agricultural production within the present fixed area has been suggested; that is to allot the land as much as possible to crops of maximum value. Recognizing this, Egypt has specialized for some time in the production of cotton, with all the advantages accruing from specialization, but with the disadvantages resultant from dependence on a single crop. While producing only about seven per cent of the world's cotton, Egypt is responsible for nearly half the world supply of long and medium staples and more than two-thirds of the long staples alone; in the production of highest quality cotton Egypt is without a rival. But economists are not completely agreed on whether it would be better to concentrate to an extreme on one crop, or to hedge against unforeseeable market conditions and technical innovation by realloting some of the cotton acreage to foodstuff production. Most seem to lean to the former solution, provided that a realistic appraisal is always made of the market price and the possibilities for exported cotton and cotton goods as against the cost of producing necessary grains domestically.

A word should be said here about the over-all scope and purpose of the agrarian reform carried out in Egypt since 1952, if only because they have been commonly misunderstood both by those who have belittled the reform on technical grounds, charging that only a limited amount of land changed hands and that the increase in the number of individual cultivators was negligible; and by those who, believing blindly in land reform under any conditions, have claimed that it represented a solution to Egypt's economic problems. The truth lies well within the extremes.

The actual changes in land ownership pattern can be studied in Table 3. They seem to be minimal but in order to understand the meaning of the reform it must be remembered that its aims have been primarily social and political. And while much official stress has been placed on, and many hopes entertained for, increasing production through reform, this goal is of necessity secondary because the long-term economic future of Egypt will be decided by other givens.

The revolutionary Government which took power in 1952 was made up of officers inexperienced in practical politics and without a fixed ideology. Both characteristics may have been advantageous at the time; in any event the Government has gained experience, but it is only recently on the way to shaping a definite set of economic plans within something like an ideological whole. The one item on which the junta was in agreement from the beginning, however, was the need for land reform. This was because it was to serve as a weapon against the old regime, the royal family and its hangers-on, and the landowners who, in the eyes of the free officers, were certain to be among their hardiest opponents. It was to be further a means of attracting the mass of the fellahin to the side of the new Government in one stroke. For in all the years of the parliamentary monarchy in Egypt next to nothing had been done for the peasantry, and the only bills dealing with agrarian reform ever introduced to parliament were heavily voted down in 1945 and 1950. It might be added that the motivation was perhaps not entirely one of Realpolitik though, for the officer group itself had in many cases risen from the lower-middle class village-peasant families, and it might fairly be credited with a genuine, humanitarian desire to improve the lot of those from whom it had sprung.

The reform was widely publicized by the Government with the slogan of "the abolition of feudalism." By it was meant the breaking-up of the private fortress-village-farms, often owned by absentee landlords and run on their behalf by hard-driving managers buttressed by personal armies which stood guard over a work force not far removed from conditions of true serfdom. By destroying these concentrations, and by trying to drive capital from the land into investment in industrial enterprises (something not very successfully accomplished) the aim of the reform can be seen in a politico-economic context as more a redistribution of income than a redistribution of parcels of land. At the time, however, it was felt that this real purpose could not be openly expressed because of the violent hostility which was expected, but did not materialize, from the entrenched interests under attack.

While the fellahin were celebrating the reform in happy ignorance of the fact that it was their psychological lot which was being changed more than their material one, the unspoken purpose of the law was attained. It broke up a concentration of landed wealth, particularly in Upper Egypt, and removed a large number of families of wealth from the positions of dominance they had held in the economy and, consequently, in the political life of Egypt. And it has been said that land reform in Egypt might best be viewed from

another point of view as labor policy, aimed at raising agricultural wages, reducing rents, but only more incidentally redistributing property.

An observer is forced to agree with the Egyptian reformers in their analysis of the summary essence of reform in their country. The new regime was proving its intention and ability to create a new social order. And thus it was a necessary precondition to whatever other steps might be taken concurrently or later; and everything which has happened since, in the political, economic, and social domains has it as a foundation stone.

The limitations on agricultural development remained then, even after reform. Where was Egypt to turn for permanent, self-perpetuating betterment?

The nonagricultural resources picture was hardly much brighter. Egypt has no coal and its iron ore is situated in the southern corner of the country, near Aswan, whence it is carried by rail to the new steel mill at Helwan. Oil has been discovered in small-scale quantities only, although there is a chance, with continuing intensive prospecting, of approaching something close to self-sufficiency--but the battle is unending. Nonferrous metals are limited except for specialty items such as talc and asbestos. One of the projects undertaken under the Soviet-Egyptian economic agreement is a geological survey which may well uncover additional mineral wealth, although it is impossible to make certain plans on such a basis now.

Because the obstacles in the path of increased agricultural and mineral production are so great, there has developed among Egyptians--in that large body of educated, frustrated, often underpaid and underemployed elite --a rationale of forced development through industrialization. When this was combined with the revolutionary fervor of the new regime after 1952 it began to take on the quality of a national religion. This is no truer than what may be found in many other backward countries, but in Egypt passions are more literate, problems more pressing, pride and bitterness more strongly articulated. The stakes are very high.

Until a very few years ago the role of industry in the Egyptian economy was limited, but impressive in structure; since then it has been growing apace. The contribution of the industrial sector to the national income comes to a little over 10 per cent (including construction activities), as compared to 30 per cent for agriculture, 24 per cent for tertiary service activities including trade and transport, and 15 per cent for a swollen bureaucracy.

The distribution of the labor force (Table 4) reveals that only 764,000 persons were employed in what can be termed industrial activity, and points up the fact that the 56 per cent of the population engaged in agriculture is contributing only 30 per cent of the total national product, bringing into relief the underemployment on the land which is a typical condition of underdeveloped economies.

Against these limitations, the brighter side of the economy appears. Egypt, particularly since the Egyptianization laws of 1957 is no longer dependent on foreign management and in many cases can forego foreign technical advice. As early as 1952 the industrial census revealed that only about 15 per cent of all industrial establishments employing ten or more persons were non-Egyptian, and this category is almost nonexistent now. In 1955 Egypt had, among its 56,000 registered university students (not including those attending religious institutions such as Al-Azhar), 6,000 engineers, 7,000 doctors, nearly 3,000 agricultural students, and 1,900 embryo scientists. This year with 80,000 students enrolled each of these groups is substantially larger. The engineering faculties in particular are highly regarded by foreign observers. The modernity of plants and equipment is a further asset which, especially in textiles, has allowed production to increase in recent years by 100 per cent without a significant increase in personnel; the introduction of labor-saving machinery together with improved organizational and manpower-utilizing techniques have helped overcome a traditional bugbear of backward countries: low productivity.

The list of Egyptian manufactured products, although mostly lying within the field of consumption goods, is long and varied. Textiles head it, and Government efforts have been unsparingly directed toward exporting fine cotton products and, more recently, synthetic fabrics. For the immediate future these offer Egypt its best chance of developing important foreign markets, particularly in the Middle East. Food processing, cotton ginning, the chemical industry, cement and glass production, tobacco, light metal products, paper products, leather goods and clothing, and the furniture industry follow in rough order--all of them together employing about 600,000 workers in 1958.

The steel and chemical industries illustrate Egyptian growth in recent years and the problems attendant on it. A large fertilizer plant already exists at Suez, and this January the Kima complex was inaugurated at the same time as work was begun on the High Dam. The electric power station at Aswan, which will double electricity production in Egypt to 4,000 million kw-hrs by 1961, will provide the power for Kima and related projects in the Aswan area. The chemical and fertilizer industries, however, employ few workers and their role is conditioned by general industrial expansion.

The first step toward that expansion was the erection of the new plant of the Egyptian Iron and Steel Company, jointly built by the Egyptian Government, Egyptian private interests, and the West German Demag A.G. Opened early in 1958, the steel mill, like land reform, was considered a psycho-political necessity by the Nasser Government. It symbolized the determination of the regime to be free of dependence on foreign sources for a vital commodity even when it meant producing subsidized steel under what are admittedly unfavorable economic conditions. Coke must be brought to Mediterranean ports and transported by rail to Helwan, south of Cairo, while iron

ore comes up the Nile Valley some 600 miles by freight car. The mill is designed to satisfy local needs for pig iron, rolled steel, and steel ingots, and frees Egypt from price fluctuations and the danger of cutoffs in foreign steel shipments for political reasons. Capacity is a modest 250,000 tons a year and production is expensive, but it is a central part of the myth being created in the United Arab Republic that "we can do anything that anyone else can." The psychological effect of it cannot be lost on a foreigner who notes that it is a place of pilgrimage for many ordinary Egyptians on their days off; instead of taking their youngsters strolling by the river or to the historical monuments of Cairo, many of the new urban elite now bring them on guided tours to watch steel-plate coming forth to build the new Egypt. It is unlikely that these childhood impressions will be forgotten by the coming generation.

Finally, in the related sectors of transport and communications, Egypt is advantageously placed compared to many of its neighbors. Despite its peculiar geography it has a central nexus covered by one great vehicle, the Nile; navigable waterways in the north, good ports, and a satisfactory road and rail system. Its public utilities, telegraph and telephone communications are quite adequate and the critical problem of power shortages is now being remedied by the beginnings of the Aswan project.

* * * * *

In short the Egyptian economy of the pre-High Dam period stood at a crossroads. It contained a highly developed but unexpandable agricultural sector; the essentials of modern industrial enterprise; an adequate and rapidly growing educational system which, even if unbalanced in its profile and spotty in some disciplines, was making constant strides in quantity and quality; an efficient bureaucracy and managerial class; and a background of tertiary supports which rounded out the whole in a satisfactory way. But it was a fully operating economy in terms of present capacities, a "closed" economy which needed the stimuli of powerful external injections of capital, ideology, and direction; without them it might drift along in the status quo, but that meant, for Egypt with its relentless population growth, the constant threat of sliding back into the pit of disaster.

Put concretely, cotton was (and is) earning more than four-fifths of Egypt's foreign exchange. This in turn was being parsimoniously divided up to buy capital goods and machinery for the most vital industrial projects; essential fuel; wheat and necessary foodstuffs whose price was kept artificially low so as to prevent mass discontent; fertilizers needed to keep agricultural production going to the hilt; and armaments which the Government felt, rightly or wrongly, to be vital to its security against the menace from outside. In sum, a perfect vicious circle.

The Egyptian Government was fully conscious of this; it had been casting about for years for a way to break out of the circle, but it found itself

trapped by circumstances. The primary need was to expand industrial production in order to create jobs for the onrushing wave of population and especially for the augmented crop of young men and women who are now flocking to the schools. Correlative was the imperative necessity of increasing agricultural production by any and all means possible, even if only as a stop-gap measure until the longer range effects of industrialization could get under way. To do these two things, the Government kept coming back again and again to two prerequisites: the implementation of the High Dam scheme to increase acreage and produce power for industry, and the pre-prerequisite of getting funds to undertake the dam project. By 1957 construction of the dam had become more than a fervent hope, or even a myth, to most literate Egyptians. It was a national obsession which they were determined to exorcise and, correlated with politics, it became the latest and greatest symbol of national emancipation.

So with the economy, as with the tortuous story of political passions discussed earlier in this series, we return to Aswan and we can begin to understand how President Nasser could speak in almost mystical terms of what the barrage would mean to the United Arab Republic. And we can better understand the almost unbearably embarrassed pride felt by most Egyptians on that day--embarrassment at the scope of the accomplishment and the dream come true.

With the High Dam, Egyptians feel that the magic key has been inserted in the hitherto locked door which leads to untold treasure. More prosaically it is certain that the transition from an agricultural economy to full, modern industrial life has entered a new phase and there will be no turning back for Egypt. The speed of this transition is possibly the most important element in it, for time is pressing on Egypt with an insistence equalled hardly anywhere else. If it moves too quickly the dangers of something as inhuman as the system of Communist China beckon on one side, whereas if the pace is too slow the standard of living which now keeps barely afloat may sink in despair back into the waters of the Nile. The balance between too ruthless a statism and too permissive a humanism is just another one of the many equilibria which the revolutionary regime is forced to keep as it moves in the 1960's toward the goal of a "socialist, democratic, co-operative" society which it has set for itself.

Charles F Gallagher

TABLE 1

The Percentage Distribution of Population
Between Rural and Urban Areas
1882-1957

Year	Rural Areas	Urban Areas
1882	81	19
1897	80	20
1907	81	19
1917	79	21
1927	77	23
1937	75	25
1947	69	31
1957	67	33

From: Statistical Pocket Yearbook, 1957 Statistical Administration, the Presidency of the Republic.

TABLE 2

Population and National Income
1937-39 and 1951-56

Year	Population (million)	National Income at 1954 prices (LE million)*	Per Capita Income at 1954 prices (LE)
1937	16.0	550.8	34.4
1938	16.3	564.4	34.6
1939	16.6	578.0	34.8
Average	16.3	564.4	34.6
1951	21.0	771.8	36.8
1952	21.5	693.6	32.8
1953	22.0	758.2	34.3
Average	21.5	741.2	34.5
1954	22.5	867.5	38.5
1955	23.0	899.8	39.1
1956	23.5	913.1	38.8
Average	23.0	893.5	38.8

From: Population:
Statistical Pocket Yearbook, 1957 Annuaire Statistique, 1953-54.

National Income:
1937-39: M. Annis: National Income of Egypt;
1937-45: L'Egypte Contemporaine, Nos. 261-2, 1950, p. 684;
1951-53: Annuaire Statistique 1953-54;
1954-56: Statistical Pocket Yearbook, 1957.

Wholesale price index (1954=100) is used for the deflation of figures.

* 1 LE (Egyptian Pound)=$2.87.

TABLE 3

Distribution of Agricultural Holdings
by Size and by Number of Landowners
1952 and 1956

Feddans*	Size of Holding		Number of Landowners	
	1952	1956	1952	1956
0-1	777,864	819,965	2,018,163	2,122,978
1-5	1,343,999	1,431,687	623,746	660,061
5-10	525,905	532,205	79,259	81,036
10-20	637,556	650,192	46,818	48,547
20-30	309,409	325,072	13,067	13,909
30-50	344,458	350,819	9,199	9,416
50-100	429,494	479,405	6,378	7,106
100-200	436,775	450,493	3,184	3,341
over 200	1,176,801	936,514	2,136	1,742
Total	5,982,261	5,976,352	2,801,950	2,948,136

From: Annuaire Statistique 1953-54; Statistical Pocket Yearbook, 1957. Holdings in excess of 200 feddans in 1956 are considered temporarily as owned by the government according to the Agricultural Reform Law of 1952.

* 1 feddan=1.038 acres.

TABLE 4

The Distribution of the Labor Force by Industry (1957-1958)

	1000 Persons	Percentage
Primary Industries		
Agriculture	3,929	55.9
Total	3,929	55.9
Secondary Industries		
Manufacturing	596	8.5
Construction	146	2.1
Mining	13	0.2
Electric & Gas	9	0.1
Total	764	10.9
Tertiary Industries		
Services & public administration	1,286	18.3
Commerce	669	9.5
Transport & communication	243	3.4
Other	138	2.0
Total	2,336	33.2
Grand Total	7,029	100.0

From: Estimating the Labor Force of Egypt 1958-59, Central Statistical Committee, 1959.